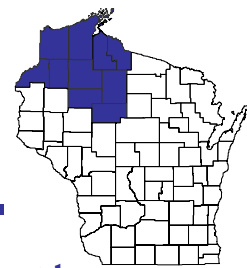


WORKFORCE OBSERVATIONS

for Northwest Wisconsin counties

Ashland, Bayfield, Burnett, Douglas, Iron, Price, Rusk, Sawyer, Taylor, and Washburn



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- > One-third of workforce age population is aged 50-64 years.
- > Survey finds only 5% of boomers plan to remain in current job.
- > Employment records show workforce aged 55-64 years grew 27% in five years.
- > Leading occupations of boomers present challenges to employers looking for replacements.
- > > > >
- > Labor force contracted in Q12006.
- > Unemployment rates at highest level for year.
- > Consumer prices rising as energy costs soar.

Baby Boomers Changing the Definition of Retirement

May is Older American month, designated by the U.S. Census Bureau to honor the population aged 65 years and over. This segment of the population in Northwest Wisconsin is already proportionately larger than in the state and, in just five short years, the number of older Americans begins to swell even more as the first of the baby-boomers turns 65.

Currently there are roughly 31,000 residents, or 17 percent of the total population, aged 65 years or over in the ten-county area of Northwest Wisconsin. That share has not changed significantly since 1990, but is significantly higher than the proportion in Wisconsin of 13 percent.

By 2020 the share of residents aged 65 years and older changes dramatically in both the northwest area and in the state. By 2020, 23 percent of the northwest area's population will be aged 65 years or over and by 2030 that jumps to 28 percent. Most of this increase is due to the large number of baby-boomers, born between 1946 and 1964, and the lower number of births from the same group.

The impact of baby-boomers on the working-age population is dramatically illustrated in graph below. In five of the ten northwest coun-

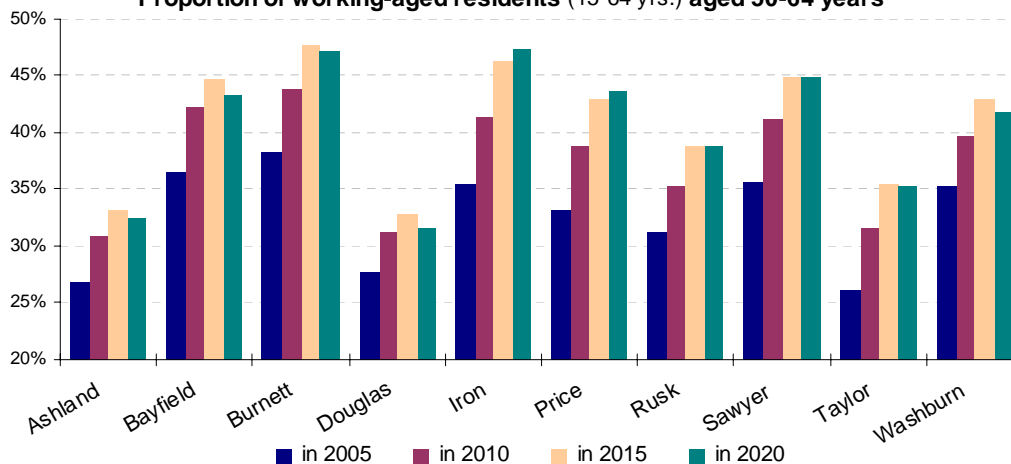
ties in 2005 fewer than one-third of the residents in the working-age population (15-64 years old) was aged 50-64 years; by 2015 that increases to 40 percent for the entire region but in Burnett and Iron counties it approaches 50 percent.

Just as baby-boomers have impacted every other age group they have moved through they are about to redefine what it means to be old - and retired. Surveys conducted with boomers about their plans for retirement all point in the same direction - retirement for nearly 70% will include some form of work.

A 2002 survey by AARP found that 69 percent of working individuals between the ages of 45 and 74 plan to continue to work in some capacity during their retirement years. That may sound reassuring to employers who could face drastic reductions in their workforce, but the survey also found that only five percent plan to work at their current job, nearly half plan to work only part-time and 10 percent plan to be self-employed. That same study also adds a caveat saying that it is not well understood how these surveyed workers are defining work in retirement. Given that current trends show the majority of workers retiring early it seems

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Proportion of working-aged residents (15-64 yrs.) aged 50-64 years



Source: Wis Dept. of Administration, Demographic Services

Direct questions-comments to:

Beverly Gehrke,

Labor Market Analyst

Hayward Job Center,
15618 Windrose Lane, Ste. 108,
Hayward, Wisconsin 54843
715-634-5289
(FAX) 715-634-6094
e-mail:

beverly.gehrke@dwd.state.wi.us
or find more labor market information at

<http://dwd.wisconsin.gov/oea>

doubtful that 65-80 percent of them are talking about traditional employment after the normal retirement age, although some will assuredly work into their late 60s and 70s, just as some do today.

Currently, labor force participation drops significantly at age 55. In Wisconsin a 2004 participation rate of 88 percent for 45-54 year olds dropped to 66 percent for 55-64 year olds in spite of an increase of three percentage points since 2000. By 65 years participation drops to 15 percent. Both of the latter age groups reported lower participation rates in 2004 than in 2003.

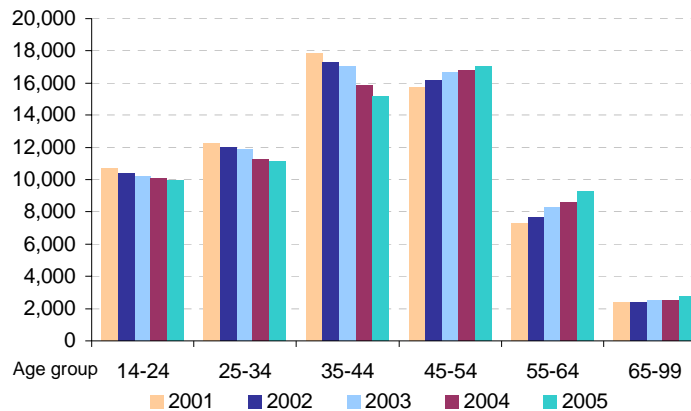
The top graph demonstrates those lower participation rates of older work groups and just how rapidly the workforce is aging in Northwest Wisconsin. From first quarter 2001 to first quarter 2005 the number of workers aged 55-64 increased 27 percent from 7,250 to 9,230. Even if 70% of those workers remain in the labor force that would still amount to a loss of nearly 2,800 workers and a change in jobs for over 6,100 workers.

Some careers will be affected more by retiring workers than others. The occupations in greatest jeopardy of losing workers are those with larger numbers or concentrations of workers aged 50-64 years old in 2000.

The chart on the right shows the 20 largest occupation for workers aged 50-64 years and the bar on the right highlights the concentration of workers aged 50-64 years in that occupation. The data is from the Public Use Microdata Sample (PUMS) file from Census 2000.

The occupation with the most workers aged 50-64 years was driver/sale workers and truck drivers. In this occupation over one-quarter of all workers are aged 50-64 years. The occupation with the highest concentration of workers in this age group (46%), is bus drivers. One reason for the high incidence is that the occupation attracts retired workers, many of whom drive part-time for local school districts.

Age of Northwest Area Workers in First Quarter



Source: US Census Bureau, Local Employment Dynamics

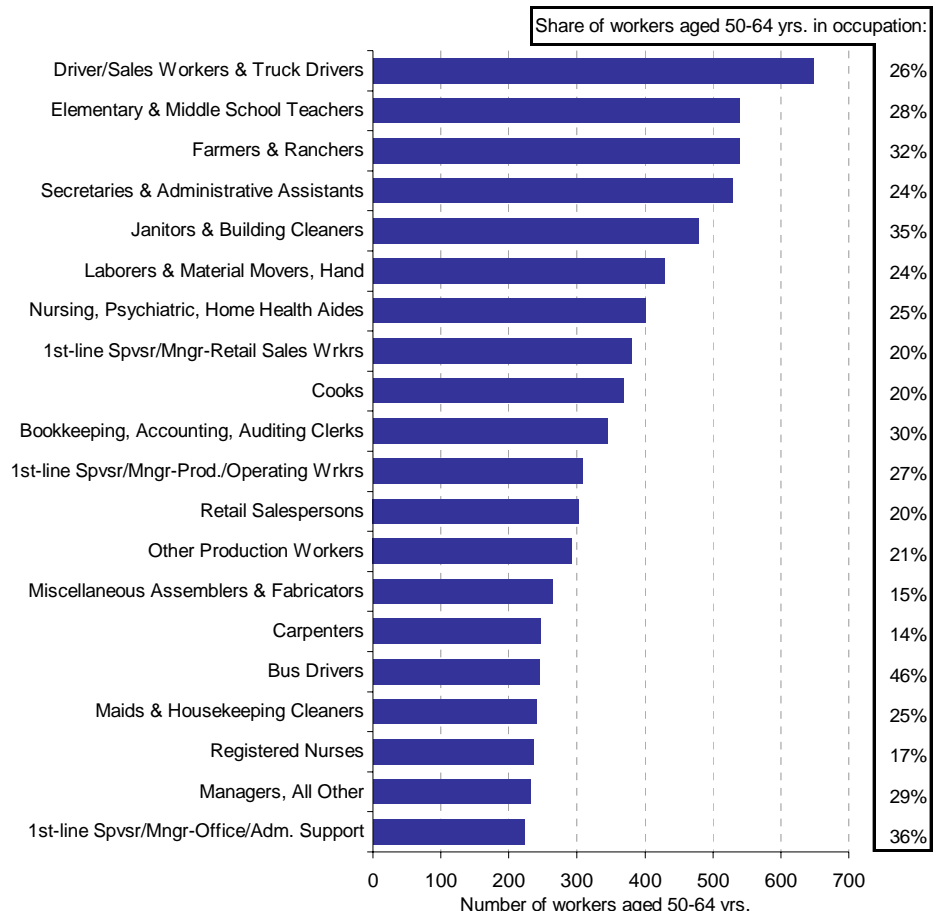
While truck drivers have a relatively short training period the occupation with the second largest number of workers aged 50-64 years, elementary and middle school teachers requires a much

longer training period. Both jobs are on the list of occupations in the northwest projected to add the most new jobs and the list of occupations needing the most replacement workers.

There is no side-stepping the impact that retiring boomers will have on the workforce. Many employers will face large numbers of workers retiring while other employers may find retired workers knocking on their doors for part-time jobs. Both scenarios require planning.

Employers losing workers need to find younger replacements or increase productivity while employers expecting to hire retirees need to make the environment welcoming for an older set of workers.

Largest occupations of workers aged 50-64 years old in Northwest Wisconsin



Source: US Census 2000, Public Use Microdata file

Workforce Changes in First Quarter 2006

By the end of the first quarter the counties of Northwest Wisconsin routinely reach the highest unemployment rates for the entire year. This ends a period of seasonal lay offs that began in November when area employers reduced their payrolls over the winter months. Employers in construction and hospitality are most affected by the change in weather but other industries also reduce staff as a result of declining demand during the winter months.

The number of residents with jobs declined from 93,600 in fourth quarter 2005 to 91,550 in first quarter 2006. The loss of jobholders reflects not only the reduction of jobs with employers but also a decline in self-employed workers and those working in family-owned businesses who are included in the labor force estimates.

Even though the number of employed is probably at its lowest for the year it is higher than in the same period one year ago. In fact it is the highest level of employed workers in Northwest Wisconsin on record during the first quarter.

The number of unemployed declined in the first quarter of 2006 from the previous quarter and over the last year, but the estimate of 7,050 residents out of work and looking for a job is not the lowest in this decade. An increase in the number of workers, especially in vulnerable seasonal jobs potentially means that more workers could be laid off during the winter months.

A broad view of the region's labor market is that the economy is improving with more residents working and fewer unemployed. The decline in the proportion of unemployed is seen in lower unemployment rates.

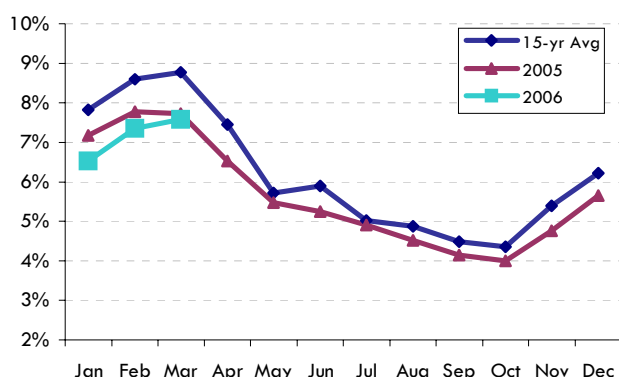
The unemployment rate during first quarter 2006 was 7.2 percent in Northwest Wisconsin, down from 7.6 percent in the same period in 2005 but up significantly from the previous quarter. The bottom graph illustrates the typical trend followed by the region's unemployment rate. Every county in the region follows the same pattern barring any unusual occurrences.

Labor Force Estimates* for Northwest Wisconsin

	Qtr 1 2006	Qtr 4 2005	Qtr 1 2005	Qtr 1 2006	Qtr 4 2005	Qtr 1 2005
Ashland						
Labor force	9,215	9,275	9,045	8,804	8,679	8,590
Employed	8,608	8,814	8,403	8,316	8,320	8,111
Unemployed	607	461	643	488	359	479
% unemployed	6.6	5.0	7.1	5.5	4.1	5.6
Bayfield						
Labor force	8,320	8,227	8,103	8,267	8,266	8,114
Employed	7,584	7,765	7,403	7,613	7,862	7,426
Unemployed	736	462	700	654	404	688
% unemployed	8.8	5.6	8.6	7.9	4.9	8.5
Burnett						
Labor force	8,613	8,599	8,346	9,257	9,455	9,080
Employed	7,989	8,200	7,716	8,480	8,961	8,330
Unemployed	624	399	631	777	494	750
% unemployed	7.2	4.6	7.6	8.4	5.2	8.3
Douglas						
Labor force	22,924	22,994	22,603	11,323	11,053	11,124
Employed	21,517	21,949	21,107	10,556	10,614	10,235
Unemployed	1,407	1,046	1,496	767	439	889
% unemployed	6.1	4.5	6.6	6.8	4.0	8.0
Superior, City						
Labor force	14,077	14,179	13,891	8,562	8,555	8,307
Employed	13,290	13,556	13,036	7,888	8,122	7,630
Unemployed	787	623	854	674	433	677
% unemployed	5.6	4.4	6.2	7.9	5.1	8.1
Iron						
Labor force	3,318	3,214	3,338	98,604	98,318	96,649
Employed	3,001	2,987	2,993	91,552	93,595	89,352
Unemployed	317	227	345	7,051	4,724	7,297
% unemployed	9.6	7.1	10.3	7.2	4.8	7.6

* not seasonally adjusted

NORTHWEST WDA-7 Unemployment Rates



One such circumstance occurred in Price County in March with the closure of a major employer, Smart Paper Inc in Park Falls. Over 300 workers lost their jobs when the plant closed on March 17. Since the labor force estimates include information gathered during the week that includes the 12th day of the month these workers were still included among the employed in the March report.

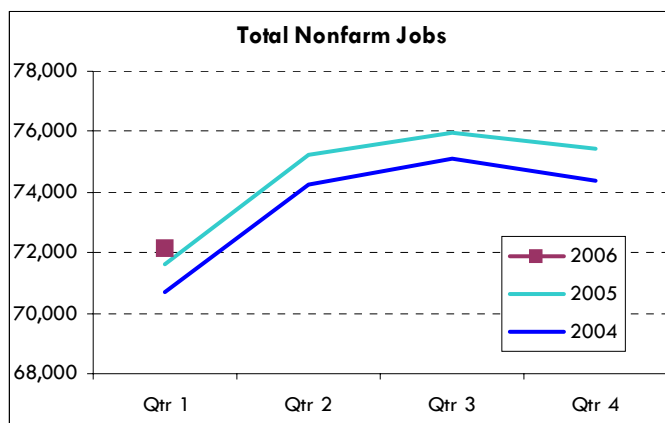
This lay off will affect the April estimates but April is also a month when many seasonal workers begin to return to their employers. One can anticipate an increase in the number of unemployed but the impact of this loss will be diminished by many more workers returning to jobs.

From March to June of every year roughly 5,000 jobs are added to the regional economy. In March the increase in jobs was small, only 200. But the average in-

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crease in April is over 1,000. In May employers add another 2,400 jobs and in June another 1,200 jobs are added. While some of these jobs are seasonal many are not. Roughly one-third of the jobs added during the spring are retained during the entire year.

2006 is off to a good start. There were 500 more jobs in the first three months of 2006 than in the same period one year ago. All industry sectors, except leisure and hospitality, showed an increase. The loss of jobs in leisure and hospitality could reflect the absence of snow in the early months, but the reduction was small and by March employers as a group were at last year's level of jobs.



Nonfarm Wage and Salary Employment Estimates for Northwest Wisconsin Counties

	Qtr 1 2006	Qtr 4 2005	Qtr 1 2005	Qtr 1 2006	Qtr 4 2005	Qtr 1 2005	Qtr 1 2006	Qtr 4 2005	Qtr 1 2005	Qtr 1 2006	Qtr 4 2005	Qtr 1 2005	Qtr 1 2006	Qtr 4 2005	Qtr 1 2005
	Ashland			Bayfield			Burnett			Douglas			Iron		
Total Nonfarm jobs	8,935	9,250	8,872	3,901	4,180	3,818	5,051	5,388	4,931	16,659	17,385	17,083	2,147	2,151	2,205
Const/Min'g/Nat. Resources	428	580	439	187	227	185	237	305	236	718	937	695	193	267	195
Manufacturing	1,291	1,355	1,284	179	183	170	939	984	931	1,179	1,158	1,176	273	287	293
Trade	970	1,003	975	537	554	493	629	679	620	2,698	2,843	2,856	397	413	385
Transportation & Utilities	268	278	253	82	107	88	128	128	125	1,949	1,998	1,936	68	68	60
Financial Activities	318	321	322	159	161	154	147	152	139	497	490	500	73	69	74
Education & Health Services	1,754	1,750	1,738	329	335	306	601	626	612	1,993	2,008	1,970	288	308	305
Leisure & Hospitality	781	857	787	802	904	787	475	535	495	2,040	2,161	2,067	357	304	378
Info, Prof/Bus.Srv, Othr Srv.	1,104	1,041	1,027	336	357	327	428	466	408	2,389	2,485	2,669	142	133	137
Total Government	2,021	2,065	2,048	1,290	1,351	1,308	1,466	1,512	1,365	3,194	3,305	3,216	357	304	378
	Price			Rusk			Sawyer			Taylor			Washburn		
Total Nonfarm jobs	6,699	6,894	6,691	6,293	6,496	6,036	6,992	7,559	6,906	8,964	9,332	8,867	6,503	6,730	6,226
Const/Min'g/Nat. Resources	215	262	219	171	198	185	378	474	361	264	488	254	249	352	237
Manufacturing	2,579	2,665	2,509	1,945	2,030	1,949	491	585	468	2,687	2,747	2,735	1,137	1,118	1,069
Trade	888	899	869	854	891	829	1,216	1,278	1,219	1,459	1,471	1,405	985	1,018	960
Transportation & Utilities	68	69	71	168	173	166	122	128	120	401	431	396	237	239	224
Financial Activities	199	204	205	145	145	143	310	322	302	345	342	313	225	234	222
Education & Health Services	934	941	926	526	528	551	684	677	659	1,042	1,057	1,049	980	981	964
Leisure & Hospitality	348	378	345	377	383	359	862	1,006	842	445	479	469	614	694	593
Info, Prof/Bus.Srv, Othr Srv.	555	567	564	634	631	589	960	1,033	917	1,281	1,258	1,196	595	592	554
Total Government	912	909	983	1,474	1,518	1,266	1,969	2,055	2,018	1,041	1,060	1,050	1,480	1,501	1,405

Current quarter preliminary. Estimates based on March 2004 benchmark. Summing from unrounded numbers.

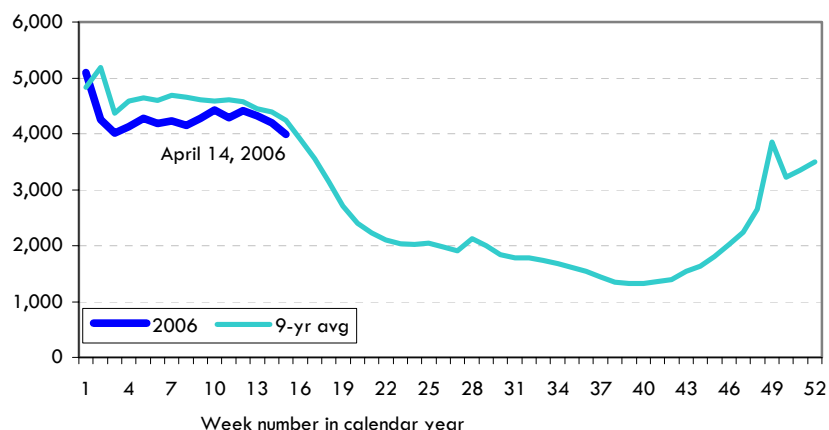
Northwest Wisconsin	Qtr 1 2006	Qtr 4 2005	Qtr 1 2005
Total Nonfarm jobs	72,143	75,366	71,635
Const/Min'g/Nat. Resources	3,041	4,091	3,006
Manufacturing	12,700	13,113	12,584
Trade	10,633	11,049	10,611
Transportation & Utilities	3,492	3,620	3,438
Financial Activities	2,419	2,440	2,373
Education & Health Services	9,131	9,210	9,078
Leisure & Hospitality	7,101	7,700	7,122
Information, Professional & Business Srv, & Other Services	8,423	8,563	8,386
Total Government	15,205	15,580	15,036

Because Rusk County is showing an unexplainably large increase in the number of government jobs the entire region is showing that government, with an increase of 200 jobs, added the most workers over the last four quarters.

The second largest gain by industry sectors occurred with manufacturing employers who added over 100 jobs since first quarter 2005. This increase is the cumulative result of employers in several counties adding workers. Plant expansions and new production facilities in the region should help to offset the loss of production workers in Price County in the second quarter.

The Workforce Album: First Quarter, 2006

Northwest Wisconsin Weekly Claims for Unemployment Benefits



Source: DWD, Unemployment Compensation Division

- > Increases in the Consumer Price Index, lead by rising fuel and energy costs, outpaced historical trends in the first quarter of 2006, rising 0.5 percent from Q42005 and 3.6 percent from Q12005.
- > The 'core' CPI, which excludes the more volatile energy and food indexes, rose higher than anticipated in March.
- > Compensation costs for private sector workers rose 0.8% from December 2005 to March 2006, after advancing 0.5% in the prior quarter. State and local government costs rose 0.5% during the quarter following a 0.9% in the prior quarter.
- > Annual compensation cost for all civilian workers increased 2.8 percent for the year ended March 2006, moderating from the 3.6 percent for the over-the-year increase for March 2005.

Consumer Price Index - All items (not seasonally adjusted)	Change over previous quarter				over yr Qtr 1 2005
	Qtr 2 2005	Qtr 3 2005	Qtr 4 2005	Qtr 1 2006	
United States	1.3%	1.2%	0.5%	0.5%	3.6%
Midwest cities (50,000-1.5 million pop.)	1.2%	1.2%	0.5%	0.2%	3.2%
Midwest cities (less than 50,000 pop.)	1.5%	1.7%	0.3%	0.2%	3.7%
Employment Cost Index (not seasonally adjusted)					
Civilian total compensation	0.6%	0.8%	0.6%	0.7%	2.8%
Private industry total compensation	0.7%	0.6%	0.5%	0.8%	2.6%
Local & state govt. total compensation	0.3%	2.0%	0.9%	0.5%	3.7%
Civilian wages	0.6%	0.7%	0.6%	0.7%	2.7%
Private wages	0.6%	0.6%	0.5%	0.7%	2.4%
Local & state government wages	0.2%	1.3%	0.9%	0.3%	2.8%
Civilian benefits	0.7%	1.2%	0.5%	0.9%	3.4%
Private industry benefits	0.9%	0.7%	0.3%	1.0%	3.0%
Local & state government benefits	0.5%	3.1%	1.0%	0.7%	5.4%

Source: US Bureau of Labor Statistics

- > The number of residents filing unemployment compensation claims followed a seasonal pattern that set a high-water mark of 5,101 in January then receded to 4,321 by the end of March.
- > In spite of increased claims activity in March with the closure of Smart Papers in Park Falls the number of claims filed remained below the average.
- > Half of all claims were filed by workers from manufacturing and nearly 20 percent were from construction and natural resources workers.

Initial Claims for Unemployment Benefits by Industry in Qtr 1 2006 in Northwest Wisconsin

